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ECONOMIC CONSULTANTS

PRIVILEGED AND CONFIDENTIAL MEMORANDUM

TO: Mr. Craig E. Leen, Esquire, and City Attorney
City of Coral Gables

FROM: Hank Fishkind, Ph.D. Henry H. Fishkind, Ph.D. Digitally signed by Henry H. Fishkind, Ph.D. DN: cn=Henry H. Fishkind, Ph.D., o=Fishkind & Associates, Inc., ou, email=hankf@fishkind.com, c=US Date: 2014.06.06 16:43:36 -04'00'

SUBJECT: Astor Companies Condominium Project

DATE: June 6, 2014

VIA: Email Only to cleen@coralgables.com

1.0 This memo summarizes my findings concerning the Astor condominium project dispute.

2.0 Table 1 summarizes the projected financial performance for the original condominium project and trolley facility. The initial project envisioned 174 condominiums, retail space and private parking projected to generate $78,650,000 in gross revenue at a cost of $59,400,000. As planned, the project was reasonably expected to produce a profit of $19,250,000 for a return on cost of 32%.

3.0 High rise condominium projects are inherently risky endeavors that are only undertaken with the expectation of substantial profit. The required profit potential for these types of developments ranges from 25%-to-35% in the south Florida marketplace.

4.0 Therefore, the project as originally planned satisfied the required profitability threshold for development.

5.0 The condominium market in south Florida generally, and in Coral Gables in particular, has recovered strongly. Therefore, there is good market support for the project. Astor reported that they had contracts for 141 of the condominiums or 81% of the project total.

Table 1. Projected Financial Performance for the Original Condominium Project and Trolley Facility

Component	*Units*	*Price/Unit*	*Total Revenue*
Revenue			
Condominiums	174	$375,000	$65,250,000
Parking			$2,900,000
Retail			$10,500,000
			===========
Total Revenue			$78,650,000
Total Cost			$59,400,000
			===========
Net Revenue			$19,250,000
Return on Cost			32%

6.0 As you know, the original project plans were unexpectedly disrupted. The delay and the change in location for the project has increased the cost of the project significantly. In addition, the change in the size of the trolley facility has reduced the initially expected volume of retail space and parking spaces. In order to achieve the rate of return required in the marketplace Astor proposes to increase the number of condominium units in the project by 109 to a total of 283 units. Table 2 summarizes the proposed project.

Table 2. Projected Financial Performance for the New Condominium Project and Trolley Facility

Component	*Units*	*Price/Unit*	*Total Revenue*
Revenue			
Old Condominiums	141	$375,000	$52,875,000
New Condominiums	142	$450,000	$63,900,000
Retail			$6,500,000
			===========
Total Revenue			$123,275,000
Total Cost			$96,000,000
			===========
Net Revenue			$27,275,000
Return on Cost			28%

7.0 The proposed project produces a return on cost of 28% which is lower than the original project, but it is still acceptable in the marketplace and acceptable to Astor.

8.0 Since there were contracts for 141 of the initial condominium units, Astor plans to honor those contracts. Prices have increased for condominiums, and Astor plans to price its new units accordingly. The units have an average net square feet of 993 (climate controlled excluding common areas and hallways) making their prices $378 per square foot for the original units and $453 per square foot for the new units. On a gross basis (1,500 total residential square feet including common areas and hallways) the prices are approximately $250 per square foot and $300 per square foot. These prices are reasonable in today's market.

9.0 As noted above, the cost for the project increased significantly because of the change in location, shift in size of the trolley facility, and the time delay resulting in increased construction cost and higher carrying costs. In addition, to achieve the required rate of return the size of the project also increased significantly driving the total cost higher. Table 3 summarizes the changes in costs.

Table 3. Summary of Increased Cost for the Project

Category	*Amount*		
Initial Cost	$59,400,000		
Current Cost	$96,000,000		
	===========		
Increased Cost	$36,600,000		
Category	Units	$/Unit	Total
Additional SqFt	108,230	$275	$29,763,163
Cost Increase SqFt	215,000	$15	$3,225,000
Loss on Douglas			$2,000,000
Interest+ Carry	360	$3,000	$1,080,000
Other			$531,837
			===========
Total			$36,600,000

10.0 As the top part of Table 3 shows, the total cost of the project increased by almost $30,000,000. Most of this cost increase is attributable to the increase in the number of condominium units adding the additional square footage. In addition, the cost to build the initial building also increased by $15 per square foot. Astor expects to lose $2,000,000 on the old Douglas Avenue location for the project. There is also a significant additional carrying cost for interest, property taxes and the like caused by the delay.